

# NEPC MARKET OUTLOOK

WHERE DOES THE FED GO FROM HERE?

OCTOBER 17, 2024

NEPC Asset Allocation



# TODAY'S PRESENTERS



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# MARKET OUTLOOK



The outlook for the labor market, wage gains, and productivity levels will drive how quickly the Fed moves rates below 4%



China is near a critical crossroad and a “Do Whatever It Takes” stimulus commitment is needed to inspire market confidence



The 2024 election cycle and heightened geopolitical risks increase the likelihood of surprises for global markets



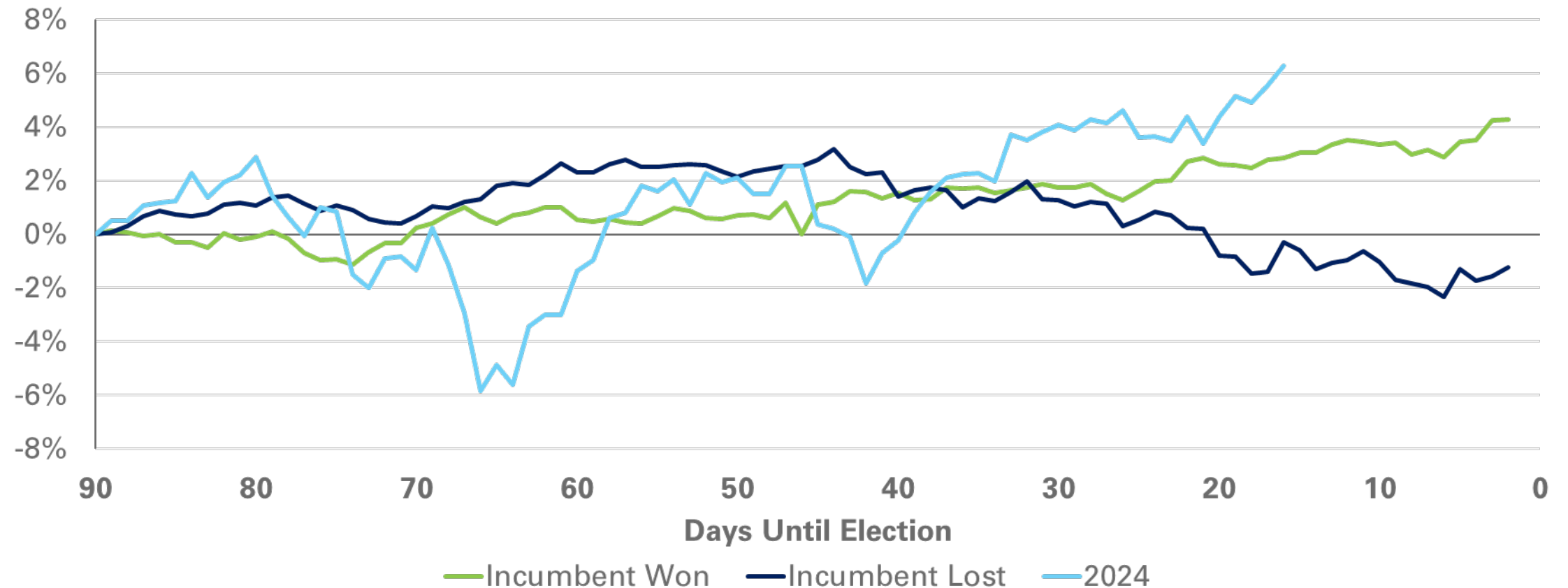
We encourage neutral duration positioning relative to strategic targets given the current interest rate environment



We recommend investors consider high yield bonds as a portfolio liquidity source and look to reduce overweights

# STOCKS OFTEN A GOOD PREDICTOR OF ELECTIONS

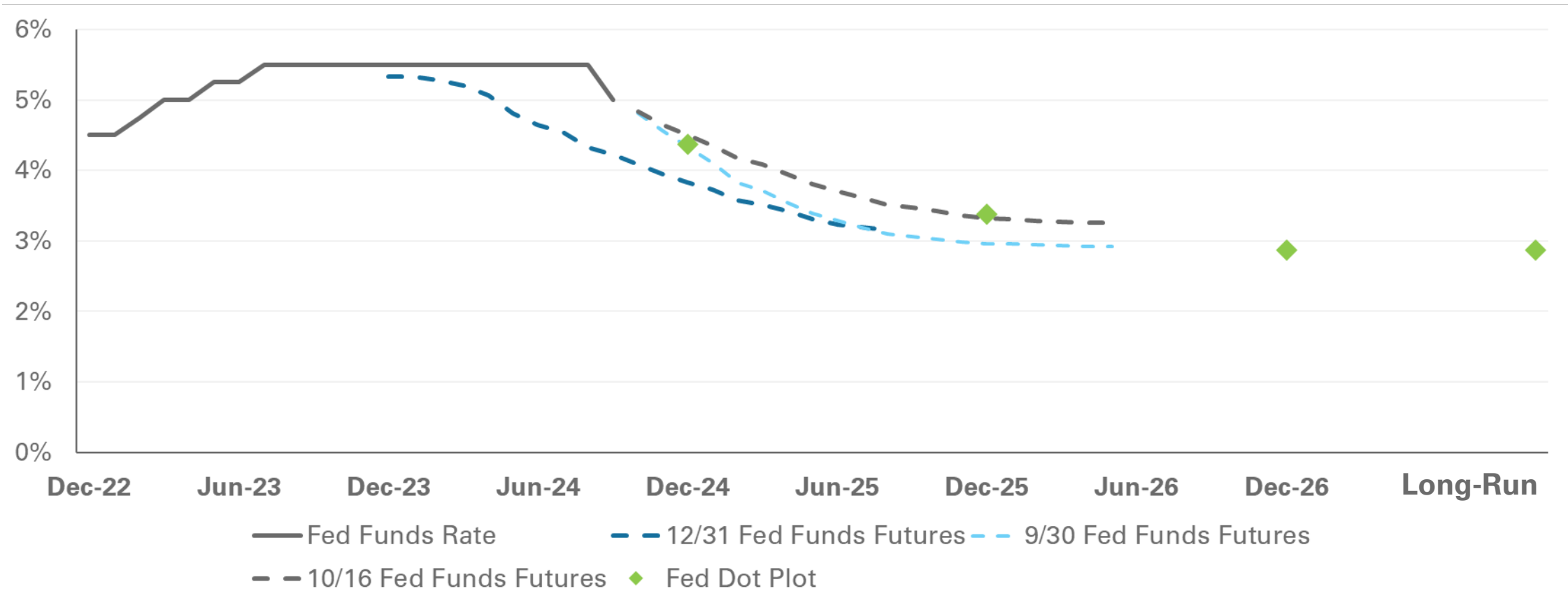
## S&P 500 AVERAGE PERFORMANCE 90 DAYS BEFORE ELECTION DAY



Notes: Reflects data 1936 to present. Data represents returns for the S&P 500 in the period ahead of the election.  
Sources: S&P, FactSet, NEPC

# MARKETS REMAIN BIASED TO LOWER RATES

## FED FUNDS RATE VERSUS MARKET RATE EXPECTATIONS



Note: Fed Dot Plot as of September 2024  
Source: FactSet



# CHINA UNVEILED STIMULUS, LIKELY MORE TO COME

## KEY COMPONENTS OF CHINA'S STIMULUS ANNOUNCEMENTS



### MONETARY POLICY

- **0.50%** cut to the banks' reserve requirement ratios (RRR)
- **0.20%** cut to the 7-day reverse repurchase rate
- Reduction of the medium-term lending facility and loan prime rates



### REAL ESTATE

- **0.50%** cut to the interest rate on existing mortgages
- Minimum down payment requirements on second home purchases reduced from **25% to 15%**
- Additional support for the affordable housing program: re-lending loans can cover **100%** (**previously 60%**) of the loans issued by banks to purchase unsold homes from developers and convert into affordable housing

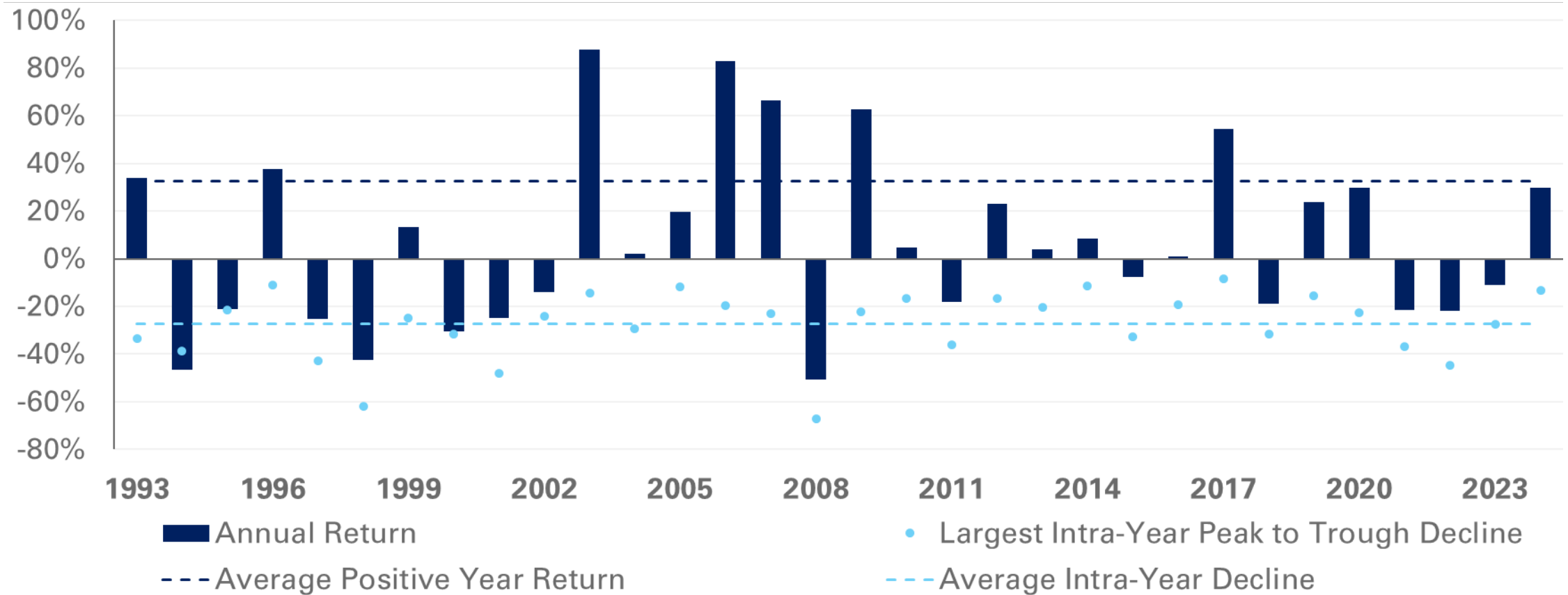


### CAPITAL MARKETS

- PBOC to inject liquidity for share buybacks
- Set up relending program for stock repurchases
- Institutional investors allowed to use stocks as collateral

# VOLATILITY STILL A HALLMARK OF CHINA EQUITIES

## MSCI CHINA ANNUAL TOTAL RETURN HISTORY

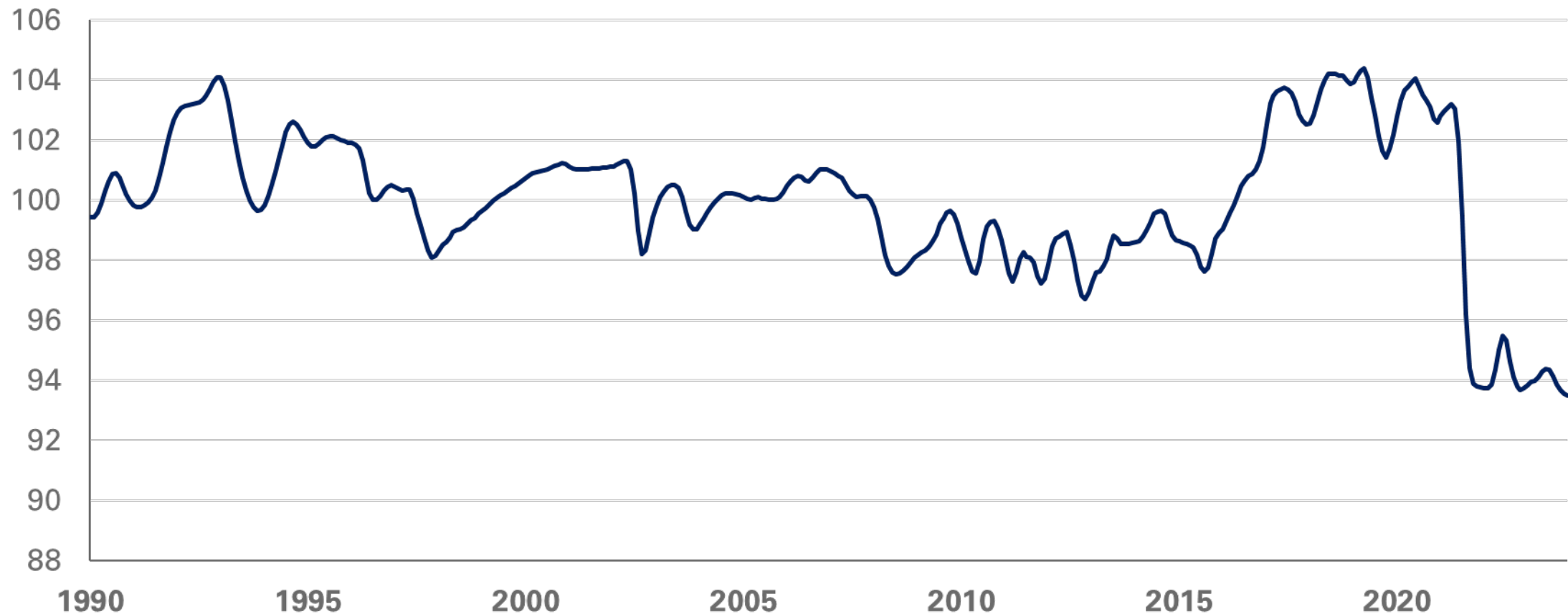


Note: 2024 reflects year-to-date total returns through September 30, 2024. Data reflects total returns in USD.  
Sources: MSCI, FactSet, NEPC



# CONFIDENCE MUST REBOUND FOR STIMULUS TO WORK

CHINA CONSUMER CONFIDENCE INDICATOR, SA





# PORTFOLIO POSITIONING VIEWS

## CURRENT OPPORTUNITIES

Global equity strategies offer a compelling alpha opportunity and we **encourage greater use of active equity approaches**

Be mindful of strategic equity targets; we continue to advocate for the **use of value factors to complement U.S. large-cap exposure**

**Volatility is a certainty, but future China stimulus may offer strong upside for EM equities** should the commitment surprise relative to market expectations

We see a **favorable environment for diversified real assets** exposure considering potential geopolitical events and upside inflation risks

# SAVE THE DATE

## BEYOND THE BALLOT BOX: Post-Election Insights Webinar Friday, November 8<sup>th</sup> - 12pm EST

*Join NEPC for a post-election discussion  
and a first read of the major implications  
for capital markets in 2025 and beyond*

The logo for NEPC (National Election Process Council) is displayed in white on a dark blue square background. The letters 'N', 'E', 'A', and 'C' are arranged in a 2x2 grid, with thin white lines separating them.

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**THANK YOU**

